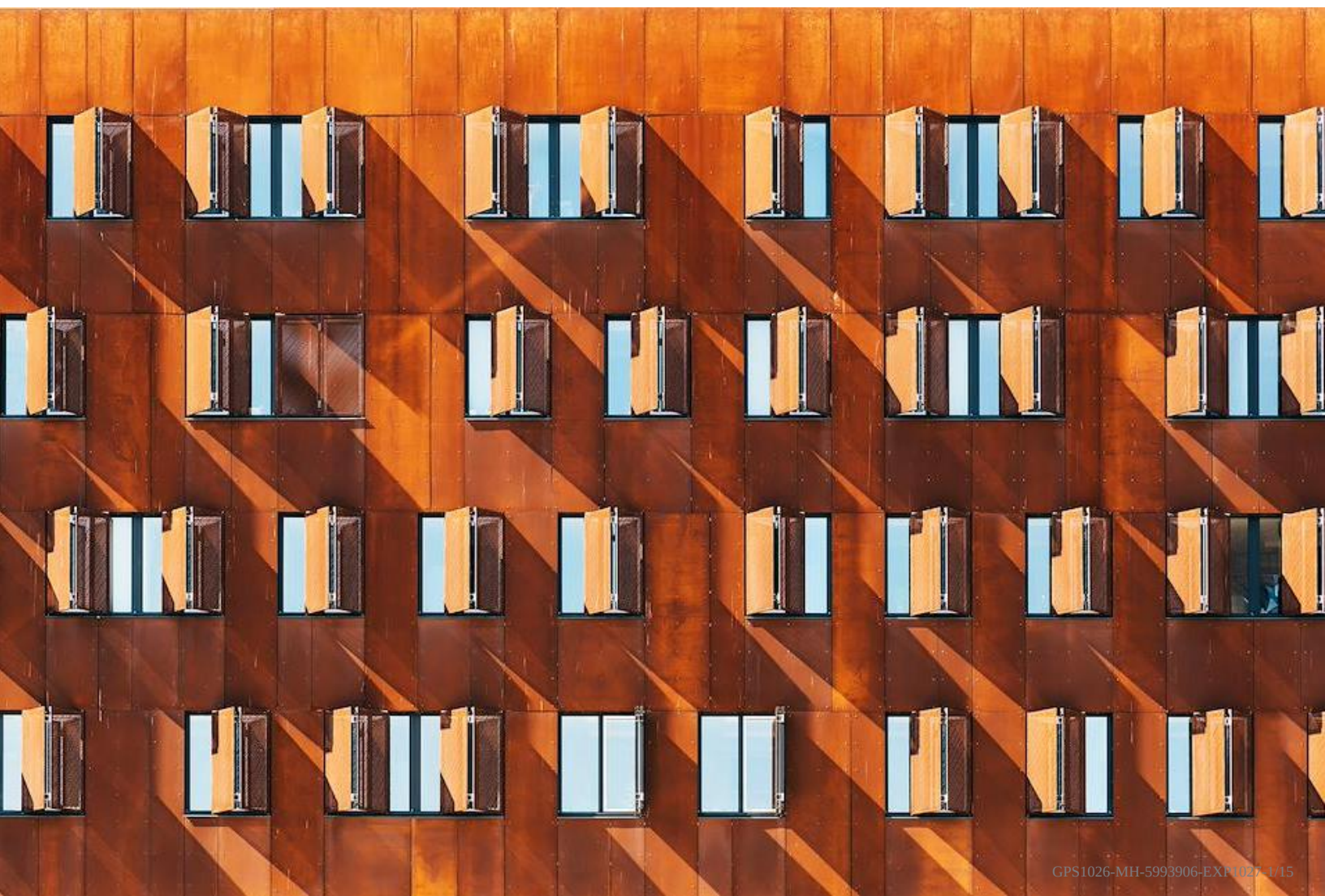


BlackRock®

The model moment

From scale to sophistication



Foreword

Five years ago, a model franchise was a useful addition to an asset manager's shelf. Today, third-party models hold close to \$1 trillion, triple what they held in 2021, and for an increasing number of firms they have become the main vehicle by which an investment strategy reaches an advisor and, through that advisor, a client.¹

That shift has drawn a crowd. Thousands of allocation models now compete for a finite number of places on advisor platforms, and hundreds more arrive every year. We believe scale alone will not be sufficient for success. Advisors set a high bar and expect that every model on their platform has been built with care and can be explained with conviction.

The providers we see succeeding are strong in three areas: the products inside the model, the construction discipline that holds them together, and the customization, education, and distribution that puts the portfolio in an advisor's hands. Bringing all three together takes partnership, and that's where BlackRock can help – through our analytics, our technology, and our reach.

Thank you to our clients, partners, and peers for the trust and insight that shape this work each year.



Ravi Goutam

Managing Director, Head of U.S. Asset Manager Sales



Elise Terry

Managing Director, Co-Head of the Americas for Global Product Solutions and Head of Americas iShares

Key points

01

As model portfolios progress rapidly and approach \$1 trillion in assets, competitive advantage is moving beyond scale and toward differentiated portfolio construction, customization and advisor-centric design.

02

ETFs have become the foundation of modern model portfolios, serving as the primary building blocks for portfolio construction across equities and fixed income, and increasingly alternatives.

03

Winning the next generation of model portfolios requires moving toward customized, intentionally constructed portfolios that can serve increasingly complex HNW clients, close hidden benchmark and exposure gaps, and use a broader product toolkit to deliver differentiated outcomes.

04

Strong model portfolios do not gather assets through performance alone. Success increasingly depends on a deliberate distribution strategy that combines access to the right advisor platforms, dedicated sales support and compelling client-facing content that helps advisors explain and retain model allocations.

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¹ Morningstar, 2026 U.S. Model Portfolio Landscape.

Introduction

Models are not new to advisors, but the scale has changed. Third-party model assets are approaching \$1 trillion, triple where they stood five years ago, and advisors are clear about why they use them: a simpler investment process, time saved, and more room for client relationships and planning.²

But scale is only part of the story. With thousands of models competing for finite shelf space and model usage increasingly seen as table stakes for successful advisor practices, this latest model moment will be defined by how those models are built, and how well they meet client needs. Increasingly, ETFs are at the core of models and now account for 59% of the average allocation model, up from 53% in 2022, according to a recent BlackRock study. The study showed that, notably, actively managed ETFs as a portion of the portfolio have grown to 16%, up from 7% in 2022.³

Providers are constructing their model cores deliberately and using active strategies for differentiation, alternatives for the diversification that stocks and bonds may no longer reliably provide, and model customization to reflect the platforms, advisors, and client segments they serve. Custom models are one of the fastest growing segments in the industry, with assets surging 40% in the last year.²

Models have been a story of growth since they began, and yet the market is still far from mature. Net flows expanded 42% to \$42.6 billion in 2025, in a year that providers launched more models than any other since 2019.² Decisions around where to place client assets are being made now, and model assets tend to stay where they land.

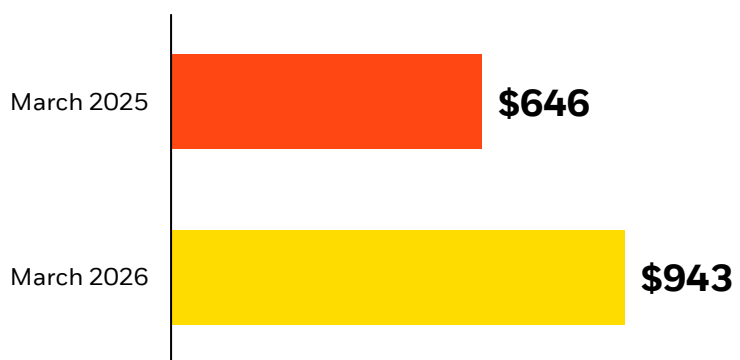
We believe this marks the next phase in the models evolution: from rapid adoption and scale of models themselves to more deliberate, sophisticated portfolio design, with an emphasis on ETFs, purposeful active management, and customization. For providers, this may change what it takes to win an allocation.

In this paper, we will look at the current state of the models business, how portfolios are changing to serve clients, getting the core right, adding the right complements to portfolios, and understanding platform distribution.

Exhibit 1: Models added about \$300B in 12 months (March 2025–March 2026)

Total third-party model assets (USD bn)

+46% YoY



Source: Morningstar, "U.S. Model Portfolio Landscape," as of March 31, 2026. Total third-party model portfolio assets. Growth reflects the trailing 12 months to March 31, 2026.

² Morningstar, 2026 U.S. Model Portfolio Landscape. ³ BlackRock & Morningstar as of June 30, 2026. Allocation models defined by Morningstar Category and include conservative (15–30% equity), moderately conservative (30–50%), moderate (50–70%), moderately aggressive (70–85%) and aggressive (85%+). Global and U.S. allocation categories are combined within each risk band. BlackRock removed certain models from the peer groups based on the following criteria: Real assets models, risk parity models, models with insufficient holdings coverage in the BlackRock Aladdin Risk model and models that had not disclosed holdings as of the study date. This should not be taken as a complete representation of the Morningstar models universe.



The business

The model portfolio business is progressing rapidly, but we are still in early innings. Growth is coming from multiple dimensions: new entrants launching in the space, existing providers broadening their shelf with new suites, and new flows that reflect share moving away from traditional allocation vehicles. Out of all multi-asset solutions, including big pools of dollars in traditional multi-asset mutual funds and target-date solutions, models are the least concentrated among the largest providers and the fastest growing, a combination that signals there may be a lot more room to run.⁴

“

Models sit at the center of the industry's transition from product selection to portfolio construction. A single allocation decision can scale investment implementation, that creates opportunities to engage across the full portfolio, from ETFs and active strategies to fixed income, alternatives and tax-aware investing. Firms that invest in models are building deeper, more strategic relationships with advisors by helping them deliver better client outcomes.”

Armando Senra

Head of the Americas Institutional Business, BlackRock

+150%

Growth in asset manager and strategist models AUM since 2022, nearly 3x the pace of growth of traditional multi-asset and target-date solutions⁵

+70%

Multi-asset strategies account for 70% of model assets, with the largest share concentrated in growth-oriented models allocating more than 60% to equities⁶

+300

Net launches since 2023, with launches in the past two years marking the most diverse set yet, spanning allocation, alternatives, tax-managed and single-strategy models⁷

+60%

Shares of new suites launched since 2025 by established providers, as firms broaden their offerings with additional strategies and customization⁸

⁴ BlackRock, Morningstar. Concentration in the top firms reflects assets by firm as of 12/31/2025. ⁵ BlackRock, Morningstar, Cerulli as of Dec. 31, 2022 and Dec. 31, 2025.

⁶ BlackRock, Morningstar as of Dec. 31, 2025. BlackRock segmented models based on underlying equity exposure in models. ⁷ BlackRock, Morningstar as of Jan. 1, 2023 and June 30, 2026. BlackRock segmented models based on inception date, firm provider, and underlying asset allocation of models. ⁸ BlackRock, Morningstar, as of June 30, 2026.

The portfolio

1 Client

Ask advisors why they utilize model portfolios and the answers are operational: more time for financial planning (55%), less time on trading and rebalancing (52%), less time on investment management (40%).⁹ Only 10% say they use models because they present a capability they could not build themselves.⁹

The pitch of time savings has taken models a long way. A BlackRock survey found that 89% of advisors now use models in some way, but they hold less than half of these advisors' assets.¹⁰ The assets that sit outside of models tend to be the largest and most complex. Ultra-high and high-net-worth (HNW) families hold 54% of U.S. household financial assets.¹⁰ Advisors serving these clients tend to build differently: half include Separately Managed Accounts (SMAs), and these advisors are nearly twice as likely as their peers to include private markets or liquid alternatives.¹⁰ Tax is the largest unmet need. Some 92% report they are regularly asked for tax guidance; only 17% treat after-tax return as a primary driver of portfolio decisions.¹⁰

Those capabilities mostly sit outside many off-the-shelf models, which is why customization is increasingly being used to tap into these clients. Advisors are adding SMAs, overlays, and alternatives account by account, outside of models. But deploying those strategies via customized models could reduce that manual work. Building those capabilities through customization and tailoring could also enable a model to hold a HNW relationship, instead of being set aside as the client's assets grow. Models need to evolve to follow the client upmarket.

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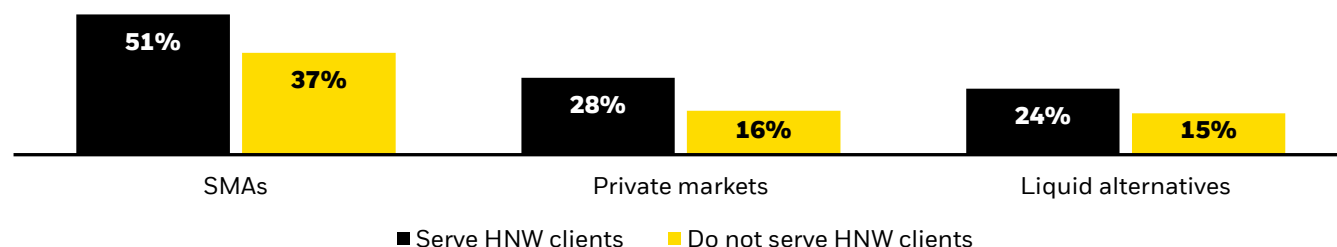
The next chapter of model portfolios is customization. Advisors have already embraced models to improve efficiency, but increasingly they're extending these solutions to high-net-worth clients who require greater personalization, tax management, and access to diversified sources of return across public markets and private markets. This shift is happening because it enables advisors to grow while spending more time serving complex client needs at scale.”

Jaime Magyera

Head of US Wealth and Head of Retirement, BlackRock

Exhibit 2: HNW-oriented advisors build portfolios differently

What advisors include in their models (%)



Source: BlackRock Advisor Trends Survey, 2026. Fielded by Escalent, Aug. 22 – Sept. 7, 2025. n=1,023 advisors.

⁹ Cerulli Associates, "U.S. Asset Allocation Model Portfolios 2025," Exhibit 1.01, p. 24. Cerulli survey of U.S. financial advisors in 2025. Respondents could select multiple reasons for using model portfolios. ¹⁰ BlackRock Advisor Trends Survey, 2026. Fielded by Escalent, an independent research firm, August 22 – September 7, 2025. n=1,023 U.S. advisors across registered investment advisory firms, national, independent, regional and bank broker/dealers. 92% of respondents serve HNW clients, defined as \$5M+ in AUM.

2 Core

Model managers have a far larger toolbox than they did a decade ago, which is especially helpful when it comes to dialing in unique exposures. For managers working within a defined risk budget, it has become important to check that the tilts in the portfolio are the ones they meant to take.

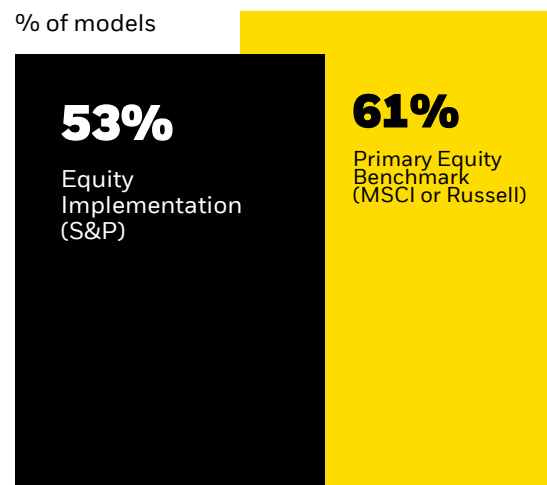
Core equity and fixed income make up most of a typical allocation model, and in the Moderate (models holding 50–70% in equities) space that core is still predominantly index ETFs at 51%.¹¹ Getting it right against the benchmark frees the remaining risk budget for the active and diversifying positions that give a model its character. But index is not a single decision. Two funds tracking the same market on different rules can hold materially different portfolios.

A. The benchmark gap

The clearest example is index inclusion. Some 61% of model portfolios use MSCI or Russell benchmarks, and 53% build their equity core with S&P Index funds.¹² That pairing has been close to costless for years, but the recent IPO of SpaceX and the widely anticipated listings of Anthropic and OpenAI will likely test it, given the different approaches the indexes take to inclusion. The S&P 500 applies a profitability requirement and a 12-month seasoning period, while MSCI USA Index and Russell admit new listings at T+10 and T+5 days respectively.¹³

Exhibit 3: Many models benchmark one index, buy another

Benchmark v. implementation gap



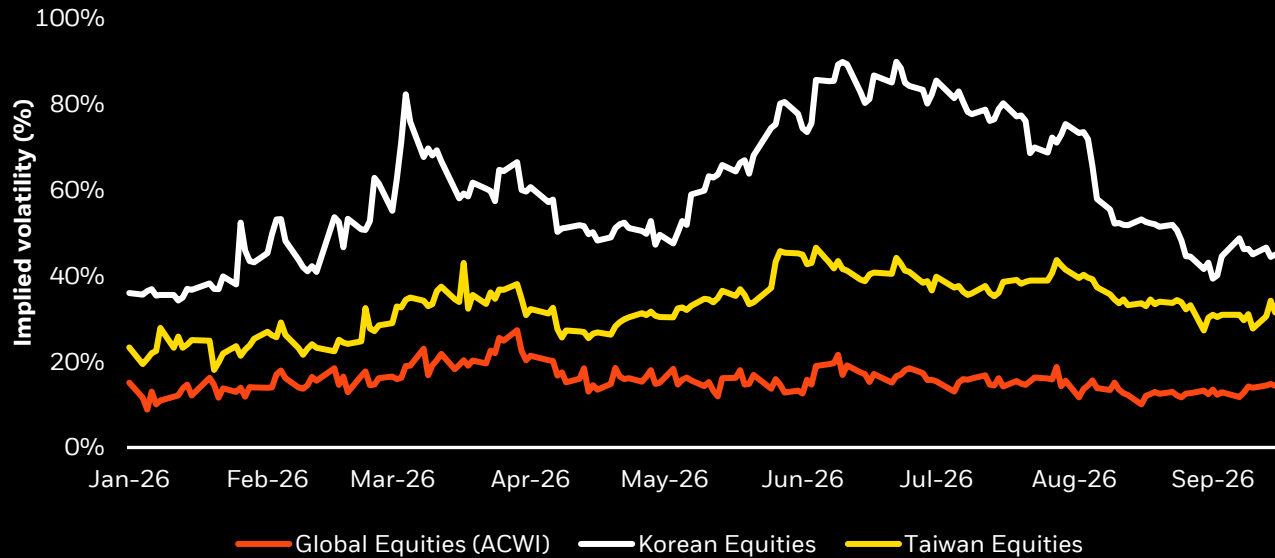
Source: Morningstar, BlackRock, May 31, 2026. Analysis based on asset manager model portfolios referred to as “multi-asset portfolios”.

A model benchmarked to one index and built on another therefore carries an active underweight to precisely the names its benchmark is adding, without ever having chosen to. Tesla is a recent example: its delayed S&P entry contributed to a 3.2 percentage point gap between MSCI USA and the S&P 500 over 2020 to the inclusion date on Dec. 18, 2020, 20.1% against 16.9%.¹⁴ Closing a gap of this kind doesn’t have to mean rebuilding the core. In our view, a modest allocation to active strategies or those that already hold such names can narrow the gap while leaving the model’s structure intact.

A similar mismatch appears at the country and sector level. At the end of 2025, the average Moderate model held 72% of its equity sleeve in the U.S. against 62% for the MSCI ACWI Investable Market Index (MSCI ACWI IMI), while technology sat 2% below the index.¹⁵ The two positions pull against each other. Model portfolios are overweight the country but underweight the sector that has been driving it. The gap is wider than it looks, because technology is a larger share of the S&P 500 than of ACWI IMI, and the S&P is where most of these portfolios build their equity core.

¹¹ BlackRock & Morningstar as of June 30, 2026. ¹² Morningstar, BlackRock, May 31, 2026. Analysis based on allocation asset manager model portfolios. ¹³ S&P, MSCI, Russell, as of Sept. 9, 2026. ¹⁴ Morningstar, MPI Stylus. Data from June 1, 2020 to Dec. 18, 2020. Case study shown for illustrative purposes only. This is not meant as a guarantee of any future result or experience. This information should not be relied upon as research, investment advice or a recommendation regarding the Funds or any security in particular. **Index performance does not reflect any management fees, or expenses. This information is strictly for illustration and educational purposes and is subject to change. Indexes are unmanaged and one cannot invest directly in an index. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.** ¹⁵ BlackRock and Morningstar, as of Dec. 31, 2025. Based on the Moderate Allocation peer group. Regional and sector weights are measured relative to the MSCI ACWI IMI Index using the BlackRock Fundamental Risk for Equity Model. BlackRock removed certain models from the peer group based on the following criteria: real assets models, risk parity models, models with insufficient holdings coverage in the BlackRock Aladdin Risk model, and models that had not disclosed holdings as of the study date. This should not be taken as a complete representation of the Morningstar models universe.

Exhibit 4: A calm index can hide violent moves beneath



Source: Bloomberg, as of Sept. 16, 2026. Chart shows 30-day at-the-money implied volatility (annualized, in percentage points) derived from listed options on iShares MSCI ACWI ETF (ACWI), iShares MSCI South Korea ETF (EWY), and iShares MSCI Taiwan ETF (EWT), used as proxies for global, Korean, and Taiwanese equities respectively. Data reflect daily observations from Jan. 1, 2026 through Sept. 16, 2026. Implied volatility is a market-derived estimate of expected future price variability over the subsequent 30 days. It is not a forecast of returns, nor a prediction of realized volatility; actual volatility may differ materially. **For illustrative purposes only; indices are unmanaged, do not reflect management fees or expenses, and cannot be invested in directly. Historical volatility is not indicative of, and does not guarantee, future results. Investing involves risk, including possible loss of principal;** international and emerging market investments carry additional risks, including currency fluctuation, political instability, and lower liquidity. This material is for informational purposes only and does not constitute investment advice or a recommendation to buy or sell any security.

B. Macro lens: Countries and sectors

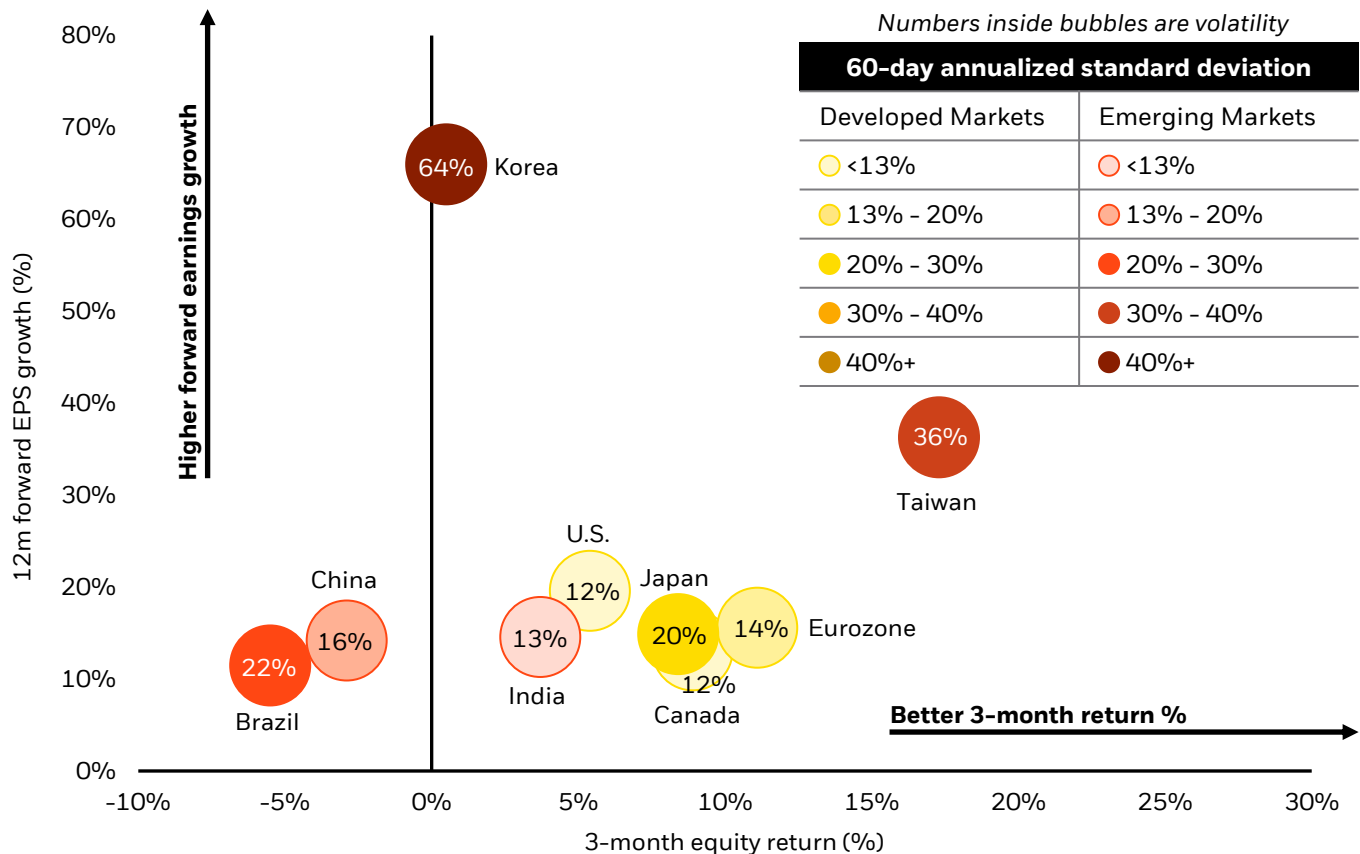
A key equity opportunity today is in allocating actively across factors and geographies as market leadership broadens. Index concentration and geopolitical uncertainty mean the drivers of return and risk can alternate quickly, and a subdued headline index can conceal that. Take the summer of 2026 for example. Volatility in the S&P 500 and MSCI ACWI stayed relatively low even as positioning and technical factors drove sharp moves across key factors and regions, with material consequences for performance. (For a more detailed discussion, see the [iShares Fall 2026 Investment Directions](#) report).

Today, the factor and geographic outlook has changed once more. Deleveraging in the summer of 2026 left positioning cleaner, while AI-related earnings continued to improve, notably in Q2. There could be an opportunity broadening beyond the initial AI outperformers into infrastructure, energy, and other areas benefiting from AI investment and strong cash flows. Geographically, Asia stands out. Plotting 12-month forward earnings growth against recent equity returns, Korea and Taiwan sit clear of every other major market on the earnings axis while the U.S. sits further down. Korea is the more striking of the two. It has the strongest forecasted earnings growth in the group but has come alongside lackluster three-month returns. Both remain central to memory, semiconductor, and AI supply chains.¹⁶

Most model equity sleeves look alike because they were built from the same defaults: a U.S.-heavy benchmark, an S&P core, a technology underweight.¹⁷ The managers who look different in three years will be the ones who do not view index as passive.

¹⁶ LSEG, Refinitiv, Bloomberg as of Aug. 16, 2026, based on respective MSCI single country indices. Volatility measured by 60-day annualized historical volatility of daily index returns, measured over the 60 days ending Aug. 16, 2026. 12-month forward EPS is the amount of profit analysts expect a company to earn per share over the next 12 months. ¹⁷ BlackRock and Morningstar, as of Dec. 31, 2025. Based on the Moderate Allocation peer group. Regional and sector weights are measured relative to the MSCI ACWI IMI Index using the BlackRock Fundamental Risk for Equity Model. BlackRock removed certain models from the peer group based on the following criteria: real assets models, risk parity models, models with insufficient holdings coverage in the BlackRock Aladdin Risk model, and models that had not disclosed holdings as of the study date. This should not be taken as a complete representation of the Morningstar models universe.

Exhibit 5: The earnings opportunity is broadening beyond the U.S.



Source: LSEG, Refinitiv, Bloomberg as of Aug. 15, 2026, based on respective MSCI single country indices. Volatility measured by 60-day annualized historical volatility of daily index returns, measured over the 60 days ending Aug. 15, 2026. 12-month forward EPS is the amount of profit analysts expect a company to earn per share over the next 12 months. **Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**

C. Beyond the Aggregate

For model builders, fixed income often provides the durable foundation that other asset classes and strategies depend on. Yet too often those allocations have not adapted to today's market. The Bloomberg U.S. Aggregate Bond Index (the "Aggregate") remains an important reference point, but it no longer represents the full opportunity set within fixed income. Expanding hyperscaler issuance is reshaping corporate bond markets, and changes in index composition can cause the duration and risk profile of a broad core allocation to drift over time. However, innovation in fixed income products can allow a model manager to adapt.

ETFs in particular have become portfolio building blocks, calibrating duration, credit, sectors and liquidity with greater precision. This allows model builders to assign fixed income a defined purpose, whether that is a more durable core, access to a broader opportunity set, a source of active return, or improved after-tax income.

The fixed income ETF toolkit offers investors multiple ways to seek to achieve their objectives, from accessing the "total" bond market to helping reduce cash drag while preserving liquidity, as shown on page 9. With these tools, a modern model portfolio can evolve as the markets themselves change. The objective is not to add more tickers, but to assign each exposure a clear job. A durable core can do the heavy lifting, while targeted complements can introduce intentional sources of return, resilience, and model differentiation.

The fixed income toolkit has grown

Objectives

Strengthen the Core

Ideas to implement

- Ultra-Short Treasuries in place of cash
- A total-market core in place of the Agg

Potential role in a portfolio

- Help reduce cash drag while preserving daily liquidity.
- Broaden fixed income exposure beyond the sectors represented in the Agg.

Broaden the Opportunity Set

Ideas to implement

- Securitized credit
- Short-dated TIPS

Potential role in a portfolio

- Provide exposure to asset-backed and mortgage sectors whose return drivers differ from those of corporate credit.
- Help address inflation risk with limited sensitivity to interest-rate changes.

Add Idiosyncratic Return Potential

Ideas to implement

- Flexible multi-sector income
- Systematic security selection

Potential role in a portfolio

- Tap into active rotation across fixed income sectors as relative value opportunities shift.
- Apply a data-driven approach to selecting individual bonds.

Improve After-Tax Outcomes

Ideas to implement

- Longer-duration munis
- High-yield munis

Potential role in a portfolio

- Provide access to higher tax-exempt yields further out the curve.
- Increase tax-exempt income potential in exchange for greater credit risk.

“

Justin Christofel

Global Head of Income Investing,
Multi-Asset Strategies & Solutions,
BlackRock

The evolution of fixed income ETFs has transformed how we build income models. We can now complement a portfolio of traditional sources of income, with more specialized and targeted exposures such as CLOs, securitized credit, international credit markets and even option-income strategies, allowing us to both deliver on our objective and differentiate vs. traditional model providers. That flexibility also helps us adapt portfolios as markets change while keeping them transparent, liquid and scalable.”

3 Complements

Getting the core of a portfolio right protects a model, but it rarely distinguishes one. Core exposures are largely index and shared across the peer group, so what separates one model from another is almost always what sits around them. In our view, there are three different complements to the portfolio that are important to consider: an exposure the core cannot deliver, a single holding that does the work of several, or a return stream that does not depend on the same drivers as everything else in the portfolio.

Active ETF adoption has moved from the margin to the mainstream

The majority (54%) of Moderate models now hold at least one active ETF, up from 35% in 2022. Cost is part of what has driven this growth. Among all-active allocation models, those built with ETFs carry a weighted average underlying fee of 46 basis points (bps) against 84 bps for those built without them.¹⁸

Fixed income has outpaced equities in terms of active ETF adoption. Half of the 20 most widely held active ETFs in models are bond strategies, and they are held at materially larger weights than their equity counterparts.¹⁹ The reason is structural. A core bond index gives a manager duration and little else, while the sectors carrying incremental income sit outside the Aggregate. Unconstrained strategies can move across securitized assets, high yield, bank loans, and emerging market debt inside a single holding, which is difficult to replicate with index building blocks without spending several tickers to do it.

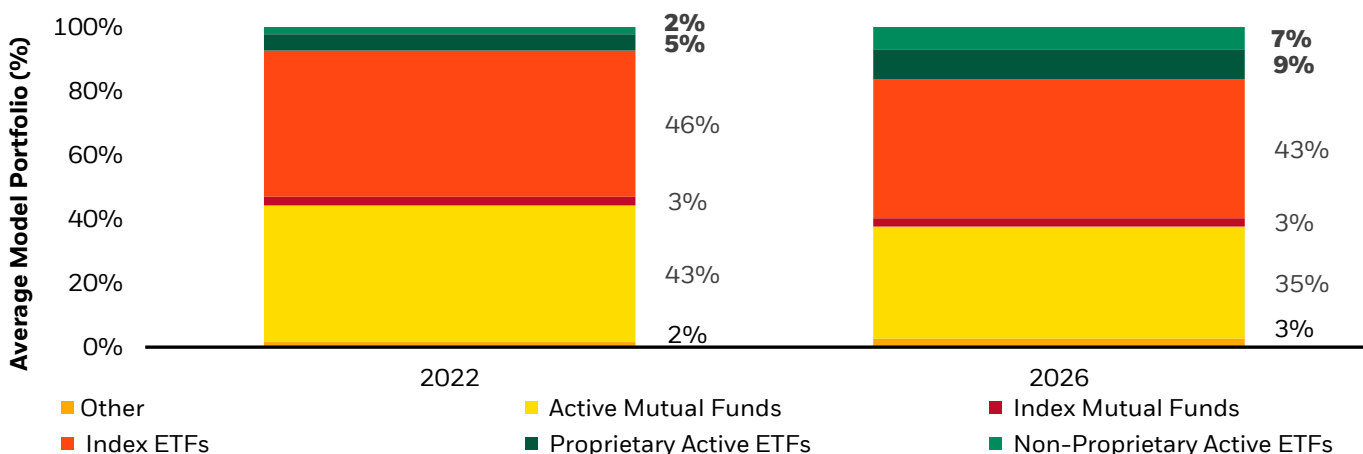
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Credit is an asymmetric asset class. When a bond performs as expected, investors largely receive their coupon and principal, while a single default can erase years of that return. That puts a premium on the bottom-up work: issuer and collateral research, credit analysis and judgment on whether the spread compensates for the risk being taken. An active allocation brings that work into the model at the fund level, with security-level diligence applied continuously across thousands of bonds. For many model builders, that also means gaining access to a depth of research they would find difficult to replicate internally.”

Russ Koesterich, CFA, JD

Lead Portfolio Manager for the BlackRock GA Selects Model Portfolio Strategies, BlackRock

Exhibit 6: Model portfolio vehicle usage is evolving



Source: Morningstar and BlackRock, as of June 30, 2022 and June 30, 2026. Based on Models and Separate Accounts built with funds that reported holdings at the as of date, segmented by Morningstar Category. Underlying fund vehicle type, and index or active tagging defined by Morningstar.

¹⁸ BlackRock & Morningstar as of June 30, 2026. Active ETFs defined by Morningstar. Weighted average underlying fee of allocation models calculated by BlackRock. ¹⁹ BlackRock and Morningstar, as of June 30, 2026. Most widely held active ETFs ranked by the number of model managers holding each fund. Allocation models defined by Morningstar Category.

Shelf space is a key constraint

Moderate allocation models hold 14 positions on average, and carrying dozens dilutes the story a model is trying to tell.²⁰ Rotational strategies can offer flexibility without commitment, cycling across factors, sectors or countries within one position rather than asking a manager to hold and rebalance each exposure separately. In our view this is an efficient way for a model to express the factor and regional views described above without spending its holding count to do it.

Great portfolios adapt to new regimes, and the regime for diversification has changed

The 36-month rolling correlation between global equities and the U.S. Aggregate was at 0.70 at the end of 2025, against a long-run average of 0.07.²¹ The mechanism has been consistent even as the policy backdrop reversed. In 2020 bonds and equities rallied together as central bank purchases lowered rates and supported risk appetite. In 2022 policy reversed but the relationship held, with rising yields providing little ballast as equities fell. What both episodes share is a common macro factor driving both asset classes at once. AI is becoming another. Hyperscalers are funding more capital investment with debt, technology's weight in investment grade indices has risen, and equity-credit correlations have moved higher again.

Liquid alternatives may help here, because their returns are less dependent on the macro factor now moving stocks and bonds together. These strategies can pursue returns from sources a long-only core has limited access to, such as dispersion between individual securities rather than the direction of the market, long and short positions that can be adjusted as growth, inflation, and policy shift, and directional positions in risk premia the core holds at a fixed weight.

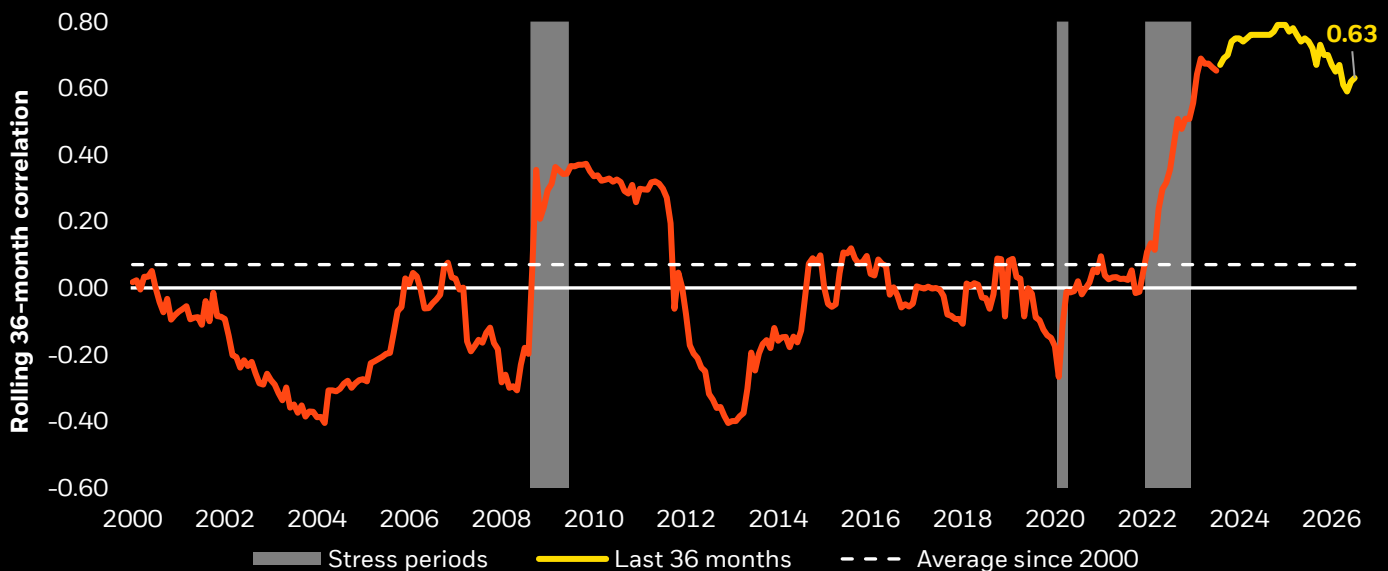
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Two practical considerations for model managers are how many positions a portfolio can hold without becoming harder for advisors to explain to clients, and how often the model formally rebalances relative to how quickly investment views can change. A rotational ETF can help with both. It can take up one position instead of several, leaving room for other portfolio decisions, while giving the manager access to a strategy that can adjust exposures within a framework they've chosen. The manager still controls the size and role of the position and can resize or remove it at any point, while the day-to-day rotation happens within the strategy.”

Tushar Yadava

Head of Markets for BlackRock
Model Portfolio Solutions, BlackRock

Exhibit 7: Bond-equity correlation is 9 times its long-run average



Source: BlackRock, MPI, and Morningstar. MSCI ACWI IMI NR USD Index vs. Bloomberg US Agg Bond TR USD Index, monthly returns; rolling 36-month correlation. Correlation ranges from -1 to +1: a positive value means bonds and equities have tended to move in the same direction, a value near zero means little relationship, and a negative value means they have tended to move in opposite directions. Chart window Jan-2000 to Jul-2026. Shaded bands mark the global financial crisis (Sep-2008 to Jun-2009), the COVID shock (Feb-2020 to Apr-2020) and the 2022 inflation selloff (Jan-2022 to Dec-2022).

²⁰ BlackRock and Morningstar as of Dec. 31, 2025. ²¹ BlackRock, MPI, and Morningstar. Correlation series from January 2000 to July 2026.

Putting these return sources to work inside a model is its own challenge. Each liquid alternative strategy draws on a different source of return and can behave differently from one market environment to the next, so managers often combine several rather than rely on any one. That makes access and implementation as important as the strategies themselves, a point echoed by managers already building alternatives into their models.

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Amid uncertainty surrounding the future path of interest rates, we believe staying diversified is paramount.

Therefore, we are seeking portfolio components with low correlation to traditional stocks and bonds, which can often move in the same direction if baseline inflation remains high. Alternatives, including market neutral or long/short strategies, allow us to lean into this diversification. Historically, many alternative strategies have been either difficult to access or trade. BlackRock's liquid alternatives suite helps address both challenges. BlackRock's liquid alternatives expertise, combined with daily liquidity, enables us to position our own models and fund offerings for greater durability across market environments while staying nimble within our mandate as an active manager.”

— **Jordan Flebotte**

Portfolio Manager at Kensington Asset Management

Combining several alternative strategies has historically meant holding each one separately, with every position sourced, sized and rebalanced on its own. For model managers already working within a limited number of holdings, that can make a diversified alternatives allocation hard to justify. Multi-strategy liquid alternative ETFs seek to ease that tradeoff by bringing several approaches into a single daily-liquid position. A single fund might pair security selection across market-neutral and long/short positions with dynamic macro views and directional allocations, giving a model multiple sources of return through one holding.

“

Liquid alternatives are really about adding a different source of return to the portfolio.

In the post-COVID environment, the traditional assumption that bonds will reliably diversify equities has become less dependable, while equity portfolios themselves have become increasingly concentrated. That creates a need to diversify your diversifiers — not just what you own, but where your returns come from.

Liquid alts can help by accessing long-short, market-neutral and other alternative sources of alpha that are less dependent on broad market direction. With IALT, we've brought that idea into an ETF, combining security selection, dynamic macro and directional allocation in a single multi-strategy portfolio designed to complement traditional stock and bond exposures.”

— **Jeffrey Rosenberg, CFA**

Senior Portfolio Manager, BlackRock Systematic

Very few models hold these strategies. Alternatives make up around 2% of the model universe, most of which is simply commodity exposure.²³ But the lack of exposure is not due to lack of demand. A recent CAIS/Mercer survey found that 90% of advisors utilize alternatives in client portfolios, and 88% plan on increasing their allocation to these assets over the next two years.²⁴ For a model provider, that combination is unusual: demand that already exists, and an exposure that the competition doesn't often carry. Private markets see similar demand but remain difficult to integrate into models that are built mainly from daily-liquid vehicles such as ETFs. We expect continued innovation in portfolio construction and investment vehicles to broaden model builders' access to private assets and give them another way to differentiate their models.

²³ BlackRock and Morningstar, as of Dec. 31, 2025. Based on average allocations across target risk models. Alternatives include commodities. ²⁴ CAIS and Mercer, "The State of Alternative Investments in Wealth Management 2026," fourth annual CAIS and Mercer Alternative Investment Survey. Based on responses from 789 financial advisors who participate in asset allocation or fund selection decisions, fielded September 17 – October 17, 2025.

The distribution strategy

The market is full of well-constructed model portfolios that are not gathering assets. Distribution asks three things of a provider at once: presence on the platforms an advisor already works in, a sales effort that can hold the attention of a team carrying dozens of other products, and enough surrounding material for an advisor to explain the portfolio to a client without rebuilding the rationale from scratch.

Platform presence

Where a model is available determines which advisors can reach it, and the landscape is more fragmented than most providers expect. In a survey of 29 model providers, respondents named 42 distinct platforms, and only 11 of those drew five or more mentions. Independent technology platforms accounted for about 40% of all responses, wirehouses for 11%.²⁵ Getting onto the large proprietary platforms is harder but worth more; getting onto a marketplace is easier but means competing with everyone else who found it easy.

Sales strategy

Nearly 70% of providers now maintain at least one key-account role dedicated to model distribution, and roughly one-third have six or more. The argument those teams tend to make internally is that model assets have longer staying power than fund flows and often serve as an entry point that leads to further business later, so it's worth the investment to get sales right earlier on.²⁶

Surround sound

Advisors select a provider on performance, investment philosophy and price, but what helps keep a model in place afterwards is the material that arrives with it, such as commentary they can pass to a client, education on how the portfolio is constructed and enough of a narrative to make the allocation explainable in a review meeting. The industry appears to have reached the same conclusion: 95% of model providers at least somewhat agree that generating thought leadership on portfolio construction and providing client-facing materials are key initiatives.²⁶

“

More distribution doesn't automatically mean better distribution. Choosing the right platforms starts with understanding where your target advisors do business and how they want to access and implement investment solutions. But access is only one part. The strength of your sales team and how you engage advisors once you're there can be just as important. A high-touch, relationship-driven approach can turn platform availability into meaningful advisor engagement and adoption. Effective distribution is about being intentional: being on the right platforms, with the right advisors, and having the people and resources in place to help them put those solutions to work.”

– **Carlos Barbosa, CIMA®**, Head of Distribution at Horizon

“

True partnership means understanding an advisor's business deeply. It's not about simply asking them to choose your strategy over someone else's but about understanding where they need help and showing up there. Advisors are doing hard, often isolating work, sitting across from investors who may not know how to retire or pay for their kids' college. They need partners who help them do that job better as opposed to a vendor they transact with. A dedicated sales and relationship management team is worth the investment: it's the difference between being evaluated quarterly and being trusted for the long haul. Models don't sell themselves; relationships are key.”

– **Chris Cullen, CIMA®**, Chief Distribution Officer at Clark Capital

“

Winning an allocation and keeping it are often separate efforts. The advisor is typically the one in the room with the client, not us. If we provide logical, defensible construction – along with clear, concise, commentary on why – we can help the advisor explain what we're doing in a way that clients understand and appreciate. Advisors are better placed to have that conversation because they know the client on such a deeper level than we ever could. This transparency fundamentally changes the relationship between Riverfront and an advisor – we stop being just a product on a shelf, and become a trusted partner that can help the advisor solve really tough client challenges. This is why we expend so much effort building high-quality client-facing material.”

– **Chris Konstantinos, CFA**, Managing Partner and Chief Investment Strategist at Riverfront Investment Group

²⁵ Morningstar, "2026 U.S. Model Portfolio Landscape," June 2026. Survey of 29 model providers, 148 total responses, as of March 31, 2026. ²⁶ Cerulli, "U.S. Managed Accounts 2026," Chapter 11, pp. 138–139.



Conclusion

Models have settled the question of whether advisors will outsource portfolio construction. Yes, they will and are increasingly doing so. What remains open is *which* models they outsource to.

We believe the providers best positioned for this phase of scale shifting to sophistication are those who make customization part of the product, who choose their index exposures as deliberately as their active ones, and who intentionally add strategies advisors cannot easily assemble for themselves.

The opportunity is compelling. Total model portfolio assets, including the broker/dealer and TAMP home-office programs that sit alongside third-party models, are projected to reach \$3.4 trillion by the end of 2027.²⁷ The business is in its early innings, and BlackRock is investing to help providers compete in it through GROW.

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GROW

Few managers build a model entirely from their own shelf. The average third-party model draws building blocks from five different firms, and roughly 65% of its weight sits in funds the manager does not run. Non-proprietary active ETFs have gone from 2% of the average allocation model to 7% in four years.²⁸ For most providers the main challenges are around where to find the analytics, reach and technology to compete.

That is what GROW by BlackRock can provide:

Game-changing models brings industry intelligence through resources like: Models IQ, a quarterly look at how model builders are adapting to shifting markets and differentiating their portfolios; the BlackRock Industry Study, a one-to-one analysis of your suite's construction and risk against more than 2,800 third-party target risk models; and ETF Wrap, a monthly iShares update on product launches, enhancements and ETF flow trends.

Resources and research covers portfolio consulting, trade analysis, access to BlackRock research and Fund Finder, an ETF screening tool for identifying and monitoring funds across the universe of U.S.-listed ETFs.

Outreach and marketing opens BlackRock's marketing engine, from co-branded content to joint events and speaking panels.

Whole portfolio integrates your models into Aladdin Wealth, used by more than 87,000 advisors.²⁹ It also draws on BlackRock's investment specialists to consult on how SMAs, option overlays, and semi-liquid alternatives can be built into your model portfolios.

²⁷ Cerulli Associates, "U.S. Asset Allocation Model Portfolios 2025," Exhibit 2.08. Total model portfolio assets comprise broker/dealer home-office, advisory TAMP, asset manager and third-party strategist programs. ²⁸ BlackRock & Morningstar as of June 30, 2026. ²⁹ BlackRock, as of Feb. 1, 2026.

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

Alternative investments present the opportunity for significant losses and some alternative investments have experienced periods of extreme volatility. Alternative investments may be less liquid than investments in traditional securities. Investing in long/short strategies presents the opportunity for significant losses, including the loss of your total investment. Such strategies have the potential for heightened volatility and in general, are not suitable for all investors. Short-selling entails special risks. If the fund makes short sales in securities that increase in value, the fund will lose value. A fund's use of derivatives may reduce a fund's returns and/or increase volatility and subject the fund to counterparty risk. A fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited.

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